

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1982 - SB 2822

April 8, 2022

SUMMARY OF BILL: Enacts the *DMV Modernization Act of 2022*.

Requires the Department of Safety (DOS) to establish procedures for licensing third-party service providers to provide driver services currently provided by DOS. Establishes numerous requirements governing the application, licensing, operation, and administration of such third-party service providers.

Requires, no later than January 1, 2024, DOS to provide online driver services that include at least the same or similar types of driver services offered by agencies in other states.

Requires the funding for public, online, and third-party service providers to be derived from fees charged for driver services. Requires the department to set the appropriate standard public fee for each driver service provided. Authorizes the department and public service providers to assess a processing or convenience fee that is in addition to the applicable standard public fee. Requires the department and public service providers to remit to the state the amount of the standard public fee charged for each transaction processed. Authorizes public service providers to retain any amounts collected for each driver service that exceed the standard public fee, which must be retained to be used to fund the operation, including awarding bonuses to employees. Requires third-party service providers to remit to the state the amount of the standard public fee for each transaction for driver services they process. Authorizes third-party service providers to set their own rates to provide driver services.

Requires, no later than December 31 of each year, DOS to collect and calculate a representative sample of wait times for each driver service provided by both public and third-party service providers. Requires all public, online, and third-party service providers to offer customers the opportunity to provide feedback on their experience in the form of a numerical rating for the purpose of establishing relative performance. Establishes requirements and criteria for awarding managers and employees of public service providers one-time performance bonuses.

Requires, no later than December 31 of each year, DOS to survey managers of public service providers for recommendations on potential methods of improving efficiency and the quality of services provided by the department.

Authorizes managers of public service providers to outsource driver services provided by their office to other department offices, agencies, or departments, if doing so would reduce the overall cost of providing such driver services. Authorizes managers of public service providers to hire temporary and part-time labor as needed to meet demand who are exempt from the state

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service law and the rules of the Department of Human Resources and is not subject to personnel policies applicable to state employees generally.

Requires DOS to publicize any available temporary or permanent test waivers issued by the federal motor carrier safety administration that apply to school bus (S) endorsement testing.

Authorizes the commissioner of DOS to promulgate rules to effectuate the purposes of this legislation.

Effective upon becoming a law for the purposes of rulemaking. Effective January 1, 2023 for all other purposes.

FISCAL IMPACT:

Increase State Revenue –

\$5,400,800/FY22-23/Department of Safety
\$10,801,700/FY23-24 and Subsequent Years/Department of Safety

Increase State Expenditures –

\$1,313,400/FY22-23/Department of Safety
Exceeds \$125,900/FY23-24 and Subsequent Years/Department of Safety

Increase Local Revenue – \$494,300/FY22-23

Exceeds \$988,600/FY23-24 and Subsequent Years

Assumptions:

- Currently, DOS partners with 54 public service providers which includes county clerks and some municipal offices. These partners provide basic services related to renewing and replacing valid licenses. They do not provide any knowledge or skills testing or print or issue license cards.
- Further, DOS currently partners with one third-party provider, AAA, which provides some driver services at a single location.
- The DOS currently operates 45 driver services centers across the state.
- The proposed legislation would establish a system by which additional third-party providers could be licensed by the DOS to provide driver services.
- It is unknown whether the new system will result in any new private entities seeking a license from DOS to provide driver services, or how many may do so.
- It is assumed that none of the current 54 public service providers, or the one third-party provider, will increase the number of services they provide as a result of this legislation, as there is not a clear new incentive provided for them to do so.
- The legislation does, however, place new requirements on DOS in how it administers the partnerships with these entities which includes collecting data on wait times for services provided and customer feedback in the form of scored surveys.

- It is assumed the DOS will require one additional Administrative Service Assistant 4 to assist in establishing the administrative framework for the licensing program within the department and to assist in managing the data on wait times and customer service, and one new Auditor 3 position to audit the data collected at public service providers and any third-party providers.
- The increase in state expenditures to the DOS related to the new positions is estimated to be \$137,129 (\$82,992 salary + \$27,637 benefits + \$11,200 office setup + \$15,300 admin expenses) in FY22-23.
- Additional personnel may be needed in future years if the program grows.
- The increase in state expenditures to the DOS related to the new positions is estimated to exceed \$125,929 (\$82,992 salary + \$27,637 benefits + \$15,300 admin expenses) in FY23-24 and subsequent years.
- In addition, DOS will need to provide new equipment to its existing public and third-party service providers to calculate wait times and collect customer service data.
- The cost per each service provider is \$17,295 (\$12,295 queuing equipment + \$5,000 survey module).
- The increase in state expenditures to DOS to provide the equipment is estimated to be \$951,225 (\$17,295 x 55 providers) in FY22-23.
- The 45 driver services centers will each require a customer survey module.
- The increase in state expenditures to provide the survey modules to driver services centers is estimated to be \$225,000 (45 centers x \$5,000) in FY22-23.
- The total increase in state expenditures to DOS is estimated to be \$1,313,354 (\$137,129 + \$951,225 + \$225,000) in FY22-23 and to exceed \$125,929 in FY23-24 and subsequent years.
- According to DOS, the department currently provides online driver services sufficient to satisfy the requirements of this legislation; therefore, any fiscal impact related to online services is estimated to be not significant.
- The proposed legislation authorizes the DOS and public service providers to implement additional fees, including processing or convenience fees, as necessary to cover the cost of the program and services. The legislation requires the funding for public, online, and third-party service providers to be derived from these fees.
- The DOS has provided the proposed additional fees it would seek to implement which include increases to the issuance fees for each class of driver license, increases to the application fees for driver licenses and commercial driver licenses, a new convenience fee for certain transactions conducted by public service providers, and an additional convenience fee for certain transactions conducted by county clerks.
- Based on the average number of transactions for each category over the past three years, the total recurring increase in state revenue from the proposed fees, as provided by DOS, is estimated to be \$10,801,658.
- DOS also proposes a fee increase for the county clerks on each transaction.
- The increase in local revenue resulting from this increase is estimated to exceed \$988,566. It is assumed all of the county clerks will implement the fee increase as proposed by DOS.
- Pursuant to the January 1, 2023 effective date for most provisions of this legislation, it is assumed that the revenue increases will be effective January 1, 2023. Thus, an increase

in state revenue estimated to be \$5,400,829 (\$10,801,658 x 50%) in FY22-23 and an increase in state revenue of 10,801,658 in FY23-24 and subsequent years.

- An increase in local revenue of \$494,283 (\$988,566 x 50%) in FY22-23 and an increase in local revenue exceeding \$988,566 in FY23-24 and subsequent years.
- It is assumed the estimated \$10,801,658 in recurring revenue generated by the full implementation of the proposed fee structure will be sufficient to fund the program at DOS.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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